

**HEARING EXHIBIT NO. 13****South Carolina Solar Business Alliance**  
**Competitive Procurement Action Plan**

For filing in Docket No. 2019-226-E  
October 21, 2020

Pursuant to the Commission's directives during the Dominion Energy South Carolina ("DESC") IRP hearing, the South Carolina Solar Business Alliance ("SCSBA") is pleased to provide this Competitive Procurement Action Plan ("Action Plan") as a late-filed exhibit. The Action Plan first addresses certain priority issues that the Commission and the parties will need to address to ensure a successful procurement, and then provides a proposed timeline of milestones for successful completion of a procurement and contracting by Q3 2021, so that participating bidders can take advantage of the 22% Investment Tax Credit ("ITC").

The Action Plan proposed here is intended to preserve the Commission's ability to approve a resource plan with near-term PPAs for solar and storage resources, if the Commission ultimately finds that such resources should be included in the final DESC IRP. If the RFP process is not started soon, however, the Commission would be unable to modify DESC's IRP to include near-term solar resources in the time needed to take advantage of the ITC for South Carolina ratepayers. Thus, proceeding with an RFP quickly is in the public interest and preserves the Commission's ability to approve a DESC IRP that complies with Act 62.

**I. Priority issues**

SCSBA has identified the following action items to facilitate a competitive procurement in DESC territory.

1. **Alternative Resource Plan Modeling:** As a first step, SCSBA has proposed through testimony that the Commission require DESC to conduct additional modeling runs that include near term solar and solar + storage procurements. Additionally, SCSBA has testified to the need for updated inputs to be used for such modeling runs, including solar PPA price assumptions and natural gas cost projections. As with the extensive modeling DESC conducted in response to intervenor testimony, this modeling can and should be done on an expedited basis so that it can inform a competitive procurement process for solar and storage resources. Because Act 62 provides a fairly lengthy schedule for submittal, review, and approval of any revised IRP (S.C. Code Ann. § 58-37-40(C)(1), (3)), establishment of a competitive solicitation framework (and any required modeling) should proceed independent of any revised IRP.

2. **Size of planned procurement:** SCSBA proposes that a procurement target of 400 MW-AC nameplate capacity solar be established for a competitive procurement. This is the amount of solar PPAs DESC modeled in the "solar PPA" scenario in its draft IRP, as well as the proposed alternative scenarios recommended by SCSBA. To maximize the opportunities for ratepayer savings, any procurement should be open to both solar-only and solar-plus-storage resources.

3. **Pricing:** To ensure that a procurement results in ratepayer savings, a maximum aggregate procurement cost could be established based on the results of the cost modeling conducted for the IRP.

4. **Integration charges:** SCSBA acknowledges that integration costs should be considered in the pricing of a competitive procurement, and recommends that any integration cost approved by the Commission be factored in as a reduction to any cost ceiling established for the procurement (assuming that integration costs have not already been modeled and factored into any cost ceiling for the procurement).<sup>1</sup>

It is essential that bidders have certainty as to how integration costs will be assessed so they can structure their bids accordingly. Uncertain integration costs will result in bidders “assuming the worst,” or at least including a significant risk premium in their bids, if they are willing to participate at all. The \$.96 / MWh integration charge approved by the Commission in the DESC avoided cost docket earlier this year is an “interim” charge,<sup>2</sup> which is subject to adjustment based on the results of the integration study currently under consideration in Docket No. 2020-219-A.<sup>3</sup> If the integration study for DESC cannot be completed by the time bids are due, SCSBA recommends that the Commission approve a preliminary (but fixed) integration charge solely for purposes of a procurement. SCSBA further recommends that SCSBA, DESC, ORS, and other stakeholders be directed to engage in discussions in an attempt to establish a consensus value for an integration charge. For instance, in DESC’s avoided cost proceeding, ORS recommended an integration charge of \$2.29/MWh, which the Commission found to be “supported by the evidence on the record.”<sup>4</sup> This integration charge value is one option available to the Commission and the parties for use within a solar procurement, but there may also be better alternatives that would be preferable.

5. **Interconnection:** Several interconnection issues must be addressed in a successful competitive solicitation. The most pressing interconnection issues to be addressed in a competitive procurement docket are:

(1) **Timing:** Projects must be studied and interconnected in time to meet in-service and other deadlines associated with a solicitation.

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<sup>1</sup> A similar approach has been approved by the North Carolina Utilities Commission in connection with Duke Energy’s competitive solicitation program. Note that if DESC were to include reserve requirements associated with solar in their production cost modeling (as they have indicated that they intend to do going forward), it would be inappropriate to include an additional cost decrement or charge for integration costs.

<sup>2</sup> See Order No. 2020-244 (Mar. 24, 2020) at 6.

<sup>3</sup> DESC witnesses also testified at the IRP hearing that a “Flexible Solar” PPA structure would partially, though not completely, mitigate integration costs associated with solar facilities.

<sup>4</sup> Order No. 2020-244 at 4. SCSBA does not agree that the ORS recommendation was supported by evidence, for the reasons stated in its Petition for Reconsideration, filed in that docket on December 19, 2019. Nevertheless, given the Commission’s approval, this \$2.29/MWh figure may serve as a reasonable upper bound for a fixed integration cost estimate.

(2) Cost certainty: Uncertainty about the costs of interconnection will inhibit accurate bidding and reduce benefits for ratepayers. One reason for this is that developers must factor interconnection costs into their bids; where costs are uncertain, bidders must increase their bids to account for that risk and ensure that their projects are financially viable. Measures should be taken to accelerate the production of reliable interconnection cost estimates. In the case of Duke's CPRE program, this was done through an expedited preliminary study of interconnection costs for projects that were short-listed in the competitive solicitation.

6. **Administration of RFP**: A competitive solicitation should be independently administered to ensure integrity of the process, so long as this does not interfere with achievement of target dates for procurement. The role and selection of the administrator should be decided by the Commission pursuant to the milestone schedule proposed below. SCSBA, DESC, ORS, or other interested parties can work to propose a consensus candidate or slate of possible candidates.

## II. Proposed Timeline

As discussed in testimony and at the IRP hearing, a procurement will deliver the best value for ratepayers (i.e. the lowest bids) if contracting can be completed by Q3 2021, so that bidders who have safe harbored equipment can take advantage of the 22% Investment Tax Credit (ITC). This is an ambitious timeline but it is achievable. Additionally, while a procurement on this timeline would deliver the best value to ratepayers, a procurement that is completed after that date may still deliver cost savings to ratepayers.

A preliminary proposed milestone schedule for establishing a procurement program is below. The proposed timeline dovetails with the currently-pending competitive solicitation docket (Docket No. 2019-365-E). However, SCSBA notes that because that is a "generic" docket, the Commission may decide it is not the appropriate docket to establish a DESC-specific procurement. Due to the existing time constraints, SCSBA recommends that the Commission determine whether another docket should be established for the purposes identified here within, which closely tracks the dates identified below.<sup>5</sup>

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<sup>5</sup> SCSBA also recommends that Duke Energy not be required to participate in any docket that is intended to establish a competitive procurement program for DESC.

<b>Milestone</b>	<b>Proposed date</b>
Direct written testimony due in generic competitive solicitation docket (No. 2019-365-E)	11/23/2020
Responsive testimony due in generic competitive solicitation docket	12/4/2020
Hearing in generic docket	12/11/2020
Statutory deadline for Final Order in DESC IRP docket	12/24/2020
DESC to provide production cost modeling to inform competitive procurement program	1/2020
Establish rules and process for DESC procurement	1/2020
Select independent administrator	2/2021
Finalize form PPA & terms of RFP and initiate RFP	2/2021
Deadline for bid submittals	4/15/2021
Bid evaluation period	4/15/2021-7/1/2021
Select winning bids	7/1/2021
Complete Contracting	9/1/2021